BellSouth Telecommunications, Inc.

Legal Department

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Patrick W. Turner

General Counsel-South Carolina

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September 5, 2003



The Honorable Gary E. Walsh **Executive Director** Public Service Commission of South Carolina Post Office Drawer 11649 Columbia, South Carolina 29211

Re:

Proceeding to Establish Guidelines for an Intrastate Universal Service Fund

Docket No. 97-239-C

Dear Mr. Walsh:

Enclosed are an original and fifteen copies of BellSouth's Motion Requesting That Materials Be Treated as Confidential in the above-referenced matter.

Sincerely,

Patrick W. Turner

PWT/nml

Enclosure

PC Doc # 503894

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA DOCKET NO. _____

IN RE:	
Revisions by BellSouth of its Access Services)
Tariff and Request for Universal Service Funding)
Pursuant to Commission Order No. 2001-419)
in Docket No. 97-239-C	_)

MOTION REQUESTING THAT MATERIALS BE TREATED AS CONFIDENTIAL

Pursuant to Rule 26 of the South Carolina Rules of Civil Procedure, BellSouth Telecommunications, Inc. ("BellSouth") respectfully requests that the Public Service Commission of South Carolina ("Commission") treat the materials filed by BellSouth on September 2, 2003 in this matter as confidential and not be disclosed to persons other than employees or members of the Commission. This motion is made on the following grounds:

1. The calculations of the revenue impact of the proposed switched access rate reductions accompanying the revisions of BellSouth's access service tariff are proprietary business information regarding BellSouth's volumes of demand. BellSouth believes that, in light of the competitive telecommunications environment, it is not appropriate to make detailed information regarding BellSouth's operations publicly available. Access to this information could give actual and potential competitors an unfair competitive advantage.

September 2, 2003



S.C. PUBLIC SERVICE COMMISSION

SEP 0 2 2003

ECEIVE

EXECUTIVE DIRECTOR'S OFFICE

The Honorable Gary E. Walsh Executive Director Public Service Commission of South Carolina Post Office Drawer 11649 Columbia, South Carolina 29211

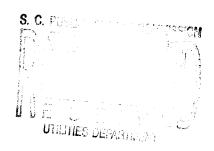
Re: Revision by BellSouth to its Access Service Tariff and request for Universal Service Funding pursuant to Commission Order No. 2001-419 in Docket No. 97-239-C

Dear Mr. Walsh:

Enclosed is a tariff filling on behalf of BellSouth Telecommunications Inc. ("BellSouth") to reduce certain switched access rates in order to remove a portion of the implicit support for universal service. This filing is being made pursuant to Commission Order No. 2001-419 in Docket No. 97-239-C. As permitted in that Order, BellSouth is requesting explicit funding from the South Carolina Universal Service Fund (USF) in an amount equal to the reduction in access revenues that result from the proposed rate reduction.

Also enclosed is a summary of the tariff filing and USF request, as well as a demonstration that implicit support is contained within the switched access rates BellSouth is proposing to reduce. This demonstration complies with the requirements set forth in Commission Order No. 2001-419, that local exchange carriers seeking USF funding must "file detailed cost data clearly demonstrating that implicit support exists in the proposed reduction."

The USF administrative guidelines approved by the Commission specifies that ordinarily such requests to implement additional USF funding should be filed by April 1st for implementation by October 1st. This provides a six-month interval for review and approval by the Commission. Per Commission order, the filing date for 2003 USF requests has been extended. BellSouth respectfully requests that the Commission complete its review and render its decision within the usual six-month interval to allow implementation by March 1, 2004 (which is the effective date set forth in BellSouth's proposed tariff).



If you have any questions, please call Jim Thompson at 803-401-2215 or Les Addis at 803-401-2216.

Yours truly,

Vice Presiden

EXECUTIVE SUMMARY

With this filing, BellSouth is reducing the Local Switching rate, the DS1 Facility Termination charge, and the DS1 Interoffice Channel Mileage charge. In addition, USF revenues are being increased by an increase in the USF percentage applied to the appropriate end user revenues. The tariff is to be filed on September 2, 2003 to become effective March 1, 2004.

Shown below is a comparison of the current and proposed BellSouth FGD SWA charges.

Rate Elements	Current	Proposed
		3/1/04 Effective Date
Carrier Common Line		
Originating	\$0.000000	\$0.000000
Terminating	\$0.000000	\$0.000000
Transport ¹		
DS1 Local Channel	\$0.000418	\$0.000418
Interconnection	\$0.000000	\$0.000000
DS1 Interoffice Channel	\$0.001791	\$0.001612
Local Switching 2	\$0.006979	\$0.002158
DS1 Direct End Office Trunk	\$0.000438	\$0.000438
Information Surcharge	\$0.000374	\$0.000374
Composite FGD		
Originating ²	\$0.010000	\$0.005000
Terminating ²	\$0.010000	\$0.005000
Total ²	\$0.020000	\$0.010000
Estimated Revenue Impacts (12 months demand)	most recent	
Switched Access Charges to Switched Charges to Sw		(\$6,828,850.39)
incumbent LECs		<u>(\$1,288,631.00)</u>
Total Revenue Impact		(\$8,117,481.39)

¹ The Transport rates per minute of use reflects 13,330 minutes of use per voice grade equivalent, DS1 Switched Transport and Interoffice Switched Transport of 21 miles.

² Composite rates include Carrier Common Line, DS1 Switched Transport, Interconnection, Local Switching 2 and Information Surcharge (per 100 MOU)

BellSouth

Overview

Pursuant to Order No. 2001-419 ("USF Order") adopted by the Public Service Commission of South Carolina ("Commission") in Docket No. 97-239-C on June 6, 2001, BellSouth is making this filing to receive additional funding from the State Universal Service Fund ("USF"). In that Order, the Commission stated: "Implementation of the State USF is necessary to remove implicit support from rates and make the funding explicit. This will ensure the continuation of Universal Service – <u>i.e.</u> the provision of basic local exchange telephone service at affordable rates, upon reasonable request – to all residential and single-line business customers in South Carolina."

As a result of prior Commission rulings regarding USF implementation, BellSouth currently receives certain explicit USF support. As explained below, the reductions submitted by BellSouth in this filing equate to the removal of \$8.117 million in implicit universal service support. When combined with BellSouth's original USF implementation of \$22.67 million, the total for these 2 steps equals \$30.787 million. This is less than 33% of BellSouth's estimated total USF requirements of \$171 million, as calculated in prior USF proceedings.

As recognized in the Commission's USF Order, "Intrastate switched access rates are priced well above cost and contain significant implicit support for basic local exchange telephone service. Access is particularly susceptible to bypass and competitive erosion." Thus BellSouth submits this filing to remove additional implicit support from intrastate switched access. If implemented, this tariff filing will more closely align BellSouth's South Carolina intrastate switched access rates with both its interstate switched access rates and with the access rates of other states in the BellSouth region. South Carolina will fall in the middle of the range with 3 states higher and 5 lower. Enclosed with this filing is documentation to demonstrate that current (as well as the proposed) rates are above cost, and that the proposed reduction will shift implicit universal service funding to explicit funding from the USF. Other documentation is being filed on a proprietary/private basis to explain the calculation of the total revenue impact of the proposed rate reductions.

BellSouth believes that the switching and interoffice transport rates set in the most recent generic cost docket for unbundled network elements (Docket No. 2001-65-C) are appropriate cost surrogates for evaluating the price floors for the rate elements of switched access that BellSouth is proposing to reduce in this proceeding. The Commission has reviewed the costs presented by BellSouth in that proceeding and has made any adjustments deemed appropriate, as reflected in Order No. 2001-1089, issued November 30, 2001. Use of these rates as cost surrogates eliminates the need for BellSouth to file additional cost support and for the Commission to review that support.

The relevant rate elements for this proceeding are:

END OFFICE SWITCHING	TELRIC Cost	Proposed Rate
End Office Switching Function (LS1/LS2), Per MOU	\$0.0010519	\$0.002158
End Office Switching Function (LS3/LS4), Per MOU	\$0.0010519	\$0.002148
INTEROFFICE TRANSPORT – DEDICATED – DS1		
Interoffice Transport - Dedicated - DS1 Facility Termination	on \$77.14	\$81.00
Interoffice Transport – Dedicated – DS1 per Mile *Converted to Minutes of Use – the interoffice transport rate per minute of use rate and cost calculations reflect 13,330 minutes of use per voice grade equivalent, DS1 switched transport	\$ 0.3415	\$20.70
and interoffice switched transport of 21 miles.	\$0.000264	\$0.00162

These TELRIC cost surrogates reflect TELRIC economic costs¹. Thus, the forward-looking incremental direct cost has been identified and a reasonable allocation of shared and common costs has been considered. The TELRIC rates for End Office Switching elements listed above reflect costs associated with local call processing and therefore the input usage characteristics in the cost study used to derive the per minute of use TELRIC rate differ slightly from the input usage characteristics that would be used to derive the per minute of use cost for switched access.

Below is a comparison of the inputs that differ.

	UNE	SWITCHED ACCESS
Distribution of Calls		
Percent Intra-office Calls (O+T)	33.4%	0.0%
Percent Inter-office Calls	66.6%	100.0%
Busy Hour Conversion Factors		
Busy Hour to Full Day Ratio	8.75%	8.21%
Call Characteristics		
Call Completion Ratio	70.9%	71.9%
Average Non-Conversation Time per Call (Seconds)	13.28	19.06

¹ BellSouth does not support the TELRIC pricing methodology in part due to its hypothetical nature. The distortion in costs caused by the TELRIC hypothetical approach is most evident in the development of loop costs. However, with respect to switching and interoffice transport (which have to the greatest degree converted to the newer currently available technologies, i.e. digital switches and fiber) the cost studies BellSouth filed to support the switching and transport UNEs in Docket 2001-65-C are less impacted by the TELRIC methodology. Furthermore, the Commission did not make specific adjustments to the cost studies supporting these elements.

However, the primary cost drivers are the fundamental unit investments², which are identical in both studies.

The characteristics of a dedicated DS1 facility from one switch to another in BellSouth's network would not differ whether it be local or switched access.

² SCIS/MO cost model produces the unit investments associated with the end office switch. Fundamental studies were conducted to identify the SS7 investments required for call processing. These supporting studies were filed in Docket No. 2001-65-C.

BELLSOUTH
TELECOMMUNICATIONS, INC.
SOUTH CAROLINA
ISSUED: September 2, 2003
BY: President - South Carolina
Columbia, South Carolina

B.

Sixth Revised Page 49.0.1 Cancels Fifth Revised Page 49.0.1

EFFECTIVE: March 1, 2004

E6. BELLSOUTH SWA SERVICE

E6.8 Rates and Charges (Cont'd)

E6.8.1 BellSouth SWA Transport (Cont'd)

- A. BellSouth SWA Local Channel Per Local Channel (Cont'd)
 - 3. BellSouth SWA DS3 Service (Cont'd)
 - b. 44.736 Mbps¹ (Cont'd)
 - (1) Per Channel (Cont'd)

	. ,		SEE C	Monthly R URRENT P		Nonrec T Cha			
					xice els	First	Additional	USOC	
	(c)	Zone 3	\$1,841.0		91.00	\$870.50	\$427.88	TEFC3	
4.	End-Office Ba	sed Private Network							
	a. Local Cha	nnel							
	(1) Each	ı							
	(a)	Zone 1	4.0	no.	6.00	17.93	17.93	TEFHK	
	(b)	Zone 2	4.0		6.00	17.93	17.93	TEFHK	
	(c)	Zone 3	4.0		6.00	17.93	17.93	TEFHK	
Swi		Channel - BellSouth SW				1,1,50	27155		
1.	BellSouth SW		•						
			•	ermination hly Rate		ıly Rate Mile			
				SEE CURI	RENT PRI	CE LIST	Nonrecurri	ing	
			Min.	Max.	Min.	Max.	Charge	USOC	
	(a)	Zone 1	\$15.30	\$23.30	\$1.90	\$2.60	\$79.85	1L5NF	
	(b)	Zone 2	15.30	23.30	1.90	2.60	79.85	1L5NF	
_	(c)	Zone 3	15.30	23.30	1.90	2.60	79.85	1L5NF	
2.	BellSouth SW	A DS0 - 56/64 Kbps							
	(a)	Zone 1	33.00	45.00	3.00	5.00	24.01	1L5NK	
	(b)	Zone 2	33.00	45.00	3.00	5.00	24.01	1L5NK	
_	(c)	Zone 3	33.00	45.00	3.00	5.00	24.01	1L5NK	
3.	BellSouth SW	A DS1 - 1.544 Mbps							
			Facility To	ermination	Month	lly Rate	Nonrecurrin	ıg	
				ıly Rate	Per N		Charge	USOC	(T)
	(a)	Zone 1	\$81.	00	\$20.	70	\$100.49	1L5NL	(R)
	(b)	Zone 2	81.	00	20	.70	100.49	1L5NL	(R)
	(c)	Zone 3	<i>81</i> .	00	20	.70	100.49	1L5NL	(R)
4.		A DS3 - 44.736 Mbps SW	'A VG						
			Facility To	ermination	Month	ıly Rate			
			Mont	hly Rate	Per	Mile			
				SEE CURI	RENT PRI	CE LIST	Nonrecurri	ing	
			Min.	Max.	Min.	Max.	Charge	USOC	
	(a)	Zone 1	\$1,310.00	\$1,773.00	\$185.00	\$285.00	\$67.19	1L5NM	
	(b)	Zone 2	1,310.00	1,773.00	185.00	285.00	67.19	1L5NM	
	(c)	Zone 3	1,310.00	1,773.00	185.00	285.00	67.19	1L5NM	

Note 1: For use with a purchased Switched Expanded Interconnection Arrangement from BellSouth Telecommunications, Inc., Tariff F.C.C. No. 1

BY: President - South Carolina Columbia, South Carolina Fourteenth Revised Page 51 Cancels Thirteenth Revised Page 51

EFFECTIVE: March 1, 2004

E6. BELLSOUTH SWA SERVICE

E6.8 Rates and Charges (Cont'd)

E6.8.3 Local Switching

- A. Local Switching Rates and Optional Features
 - 1. Per Access Minute

		Rate	USOC	
	(a) LS1 - BellSouth SWA FGA and BellSouth SWA FGB	\$.002158	NA	(R)
	(b) LS2 - BellSouth SWA FGC and BellSouth SWA FGD	.002158	NA	(R)
	(c) LS3 - BellSouth SWA LSBSA and BellSouth SWA	.002148	NA	(R)
	TSBSA 1			
	(d) LS4 - BellSouth SWA TSBSA 2 and TSBSA 3	.002148	NA	(R)
2.	Common Trunk Port Service			
	(a) Per Access Minute of Use	.008000	NA	
3.	Dedicated End Office trunk Port Service			
		Monthly Rate		
	(a) Per dedicated DS0/VG trunk port required	\$9.47	TDE0P	
	(b) Per dedicated DS1 trunk port required	139.98	TDE1P	
4	Common Switching Ontional Footsman (Ball Court SWA EC Contamon	ادادا		

- Common Switching Optional Features (BellSouth SWA FG Customers Only)¹
 - a. Hunt Group Arrangement, available with BellSouth SWA FGA Per Transmission Path Group
 - Uniform Call Distribution Arrangement, available with BellSouth SWA FGA Per Transmission Path Group
 - Nonhunting Numbers for use with Hunt Group Arrangements or U.C.D. Arrangement available with BellSouth SWA FGA

Per Transmission Path

- d. Automatic Number Identification /Charge Number available with BellSouth SWA FGB, BellSouth SWA FGC and BellSouth SWA FGD²
 Per Transmission Path Group
- Common Switching (BellSouth SWA FG and BellSouth SWA Basic Serving Arrangement Customers)³
 - Call denial on line or hunt group, available with BellSouth SWA FGA
 Per Transmission Path or Transmission Path Group
 - Service Code Denial on line or hunt group, available with BellSouth SWA FGA Per Transmission Path or Transmission Path Group
 - Up to 7 Digit Outpulsing of Access Digits to IC, available with BellSouth SWA FGB Per Transmission Path Group
 - Revertive Pulse Address Signaling, available with BellSouth SWA FGC Per Transmission Path Group
 - e. Delay Dial Start-Pulsing Signaling, available with BellSouth SWA FGC Per Transmission Path Group
 - f. Immediate Dial Pulse Address Signaling, available with BellSouth SWA FGC Per Transmission Path Group
 - g. Dial Pulse Address Signaling, available with BellSouth SWA FGC Per Transmission Path Group
 - Service Class Routing, available with BellSouth SWA FGC and BellSouth SWA FGD Per End Office and Access Tandem
 - Note 1: These Common Switching Optional Features are not available for BellSouth SWA Basic Serving Arrangement. See E6.8.3.A.4. for the appropriate BSE.
 - Note 2: Charge Number is applicable only to BellSouth SWA FGD.
 - Note 3: References to BellSouth SWA FGs will also include the applicable BellSouth SWA Basic Serving Arrangement as detailed in the matrix of E6.1.3.A.

Seventh Revised Page 3 Cancels Sixth Revised Page 3

EFFECTIVE: March 1, 2004

E6. BELLSOUTH SWA SERVICE PRICE LIST

E6.8 Rates and Charges (Cont'd)

E6.8.1 BellSouth SWA Transport (Cont'd)

- B. Switched Interoffice Channel BellSouth SWA Dedicated Transport (Cont'd)
 - 2. BellSouth SWA DS0 56/64 Kbps Per Interoffice Channel

	Facility Termination Monthly Rate	Monthly Rate Per Mile	<u>USOC</u>
(a) Zone 1	\$ 38.37	\$ 3.95	1L5NK
(b) Zone 2	38.37	3.95	1L5NK
(c) Zone 3	38.37	3.95	1L5NK

3. (DELETED) (See E6.8.1.B.3 in the Access Services Tariff for rates.)

(D)

4. BellSouth SWA DS3 - 44.736 Mbps - Per Interoffice Channel

(a)	Zone 1	\$1,200.00	\$175.00	1L5NM
(b)	Zone 2	1,200.00	175.00	1L5NM
(c)	Zone 3	1,200.00	175.00	1L5NM

- C. Switched Interoffice Channel BellSouth SWA Common Transport
 - 1. Per Mile

(c) Zone 3

	Rates Per	
	Access Minute	<u>USOC</u>
(a) Zone 1	\$.00004	NA
(b) Zone 2	.00004	NA
(c) Zone 3	.00004	NA
2. Facilities Termination		
(a) Zone 1	\$.00036	NA
(b) Zone 2	.00036	NA

.00036

NA

SOUTH CAROLINA Intrastate Switched Access Rate Reductions July 2002 Through June 2003 Data

		Present	Proposed	Z.	Present Annual		Proposed Annual		Revenue
Description	Demand	Rate	Rate		Revenue		Revenue		Change
Local Switching 1 - Premium	259,411 \$	\$ 626900.0	0.002158	↔	1,810.43	6/3	559.81	∨ >	(1,250.62)
Local Switching 2 - Premium	1,374,145,892 \$	\$ 626900.0	0.002158	6∕9	9,590,164.18	⇔	2,965,406.83	6/3	(6,624,757.35)
Local Switching 3 - Premium	16,886 \$	0.006770 \$	0.002148	69	114.32	6/3	36.27	↔	(78.05)
Local Switching 4 - Premium	\$ 0	0.006770 \$	0.002148	↔	ı	↔	•	69	1
Dedicated Switched IOC - DS1 Zone 1*	1,097 \$	\$ 00.06	81.00	↔	98,764.20	6∕3	88,887.78	↔	(9,876.42)
Dedicated Switched IOC - DS1 Zone 2*	2,061 \$	\$ 00.06	81.00	↔	185,502.42	S	166,952.18	↔	(18,550.24)
Dedicated Switched IOC - DS1 Zone 3*	1,203 \$	\$ 00.06	81.00	↔	108,290.16	↔	97,461.14	S	(10,829.02)
Dedicated Switched IOM - DS1 Zone1*	12,733 \$	23.00 \$	20.70	↔	292,867.00	↔	263,580.30	∽	(29,286.70)
Dedicated Switched IOM - DS1 Zone 2*	29,941 \$	23.00 \$	20.70	↔	688,643.37	S	619,779.03	↔	(68,864.34)
Dedicated Switched IOM - DS1 Zone 3*	28,416 \$	23.00 \$	20.70	69	653,576.60	⇔	588,218.94	↔	(65,357.66)
TOTAL REVENUE IMPACT								49	(6.828.850.39)

^{*} The equivalent composite rates/mou for the DS1 Interoffice Transport elements are as follows: Present \$.001791, Proposed \$.001612.

ICO Toll Settlements

DATA SOURCE: TOLL SETTLEMENTS FOR MAR THRU JUNE '03 ANNUALIZED Base Data: Base Data reflects MAR THRU JUN '03 AVERAGE

\$1,288,631	\$956,631	\$910,119	\$46,512	\$2,245,263	\$2,136,096	\$109,167	TOTALS
\$133,097	98,806	93,263 \$	5,544 \$	\$231,903	\$218,892	\$13,011	Sprint - UNITED
\$41,692	30,950		·	\$72,642	\$72,642	\$0	HORRY
\$27,734	20,588	18,167 \$	5 2,422 \$	\$48,322	\$42,638	\$5,684	HOME
\$409,611	304,080	301,010 \$	3,070 \$	\$713,691	\$706,487	\$7,204	Verizon - CONTEL
\$504,657	374,638	357,134 \$	17,505 \$	\$879,295	\$838,211	\$41,084	Verizon - GTE
\$5,239	3,889	3,888 \$	~ ~	\$9,128	\$9,125	\$3	FARMERS
\$1,583	1,175	409 \$	\$ 992 \$	\$2,758	096\$	\$1,798	RIDGEWAY
222	27.5	225 \$	\$ 351 \$	\$1,353	\$528	\$825	LOCKHART
\$3,271	2,428	492 \$	\$ 1,936 \$	\$5,699	\$1,154	\$4,545	CHESTER
\$2,355	1,748	1,742 \$	9	\$4,103	\$4,089	\$14	WEST CAROLINA
\$17	12	↔	12 \$	\$29	\$	\$29	SANDHILL
\$14,492	10,758	873 \$	\$ 9,885 \$	\$25,250	\$2,049	\$23,201	POND BRANCH
\$1,882	1,397	1,338 \$	29 \$	\$3,279	\$3,140	\$139	PIEDMONT
\$45	33	↔	33 &	\$78	\$0	\$78	PALMETTO
\$6,181	4,589	4,589 \$	· ·	\$10,770	\$10,770	\$0	WILLISTON
\$6,746	5,008	5,008 \$	1	\$11,755	\$11,755	\$0	NORWAY
\$1,120	831	831 \$	· ·	\$1,951	\$1,951	\$0	ST. STEPHEN
\$62,665	46,520	46,520 \$	ن ا	\$109,185	\$109,185	\$0	MCCLELLANVILLE
\$5	က	·	9 9	\$8	\$0	\$8	CHESNEE
\$17,086	12,684	12,684 \$	· ·	\$29,770	\$29,770	\$0	HARGRAY
\$8,111	6,022	6,022 \$	\$	\$14,133	\$14,133	\$0	BLUFFTON
\$40,267	29,893	24,975 \$	\$ 4,918 \$	\$70,160	\$58,617	\$11,544	ALLTEL
Interstate Rates	Interstate Rate	Rate Int	Rate	Rate	Intrastate Rate	Intrastate Rate Intrastate Rate	Company
ORP & ACS @	& ACS @	Interstate &	Interstate	Intrastate	transit) @	transit) @	
Revenues to BST	BST for ORP	transit) @ B	@ transit) @ tr	& ACS @ to	BST (excludes	BST (excludes	
Settlement	Payments to	(excludes P	(excludes	BST for ORP	Payments to	Payments to	
Annualized Total	Total ICO	BST	BST	٥	ICO ACS	ICO ORP	
		ICO ACS		0010401			
			ents to BST	Annualized ICO Payments to BST	Annuali		

PRIVATE/PROPRIETARY: DISCLOSURE OUTSIDE BELLSOUTH BY WRITTEN AGREEMENT ONLY.